

## Message Text

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15

ACTION EA-09

INFO OCT-01 ISO-00 EB-07 XMB-02 H-02 /021 W

----- 045916

P R 090910Z JAN 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 2087

USDOC WASHDC PRIORITY

INFO AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMCONSUL HONG KONG

AMCONSUL MEDAN

AMCONSUL SURABAYA

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USDOC FOR MEPD, DEPT PASS EXIM

EO 11562: NA

TAGS: BEXP ID

SUBJECT: U.S. FIRMS AND SUGAR MILL BIDS

REFS: STATE 2592 (NOTAL), 75 STATE 181727, 75 JAKARTA 9691,  
75 JAKARTA 3351, 75 JAKARTA 3352

SUMMARY: EMBASSY REPORTS U.S. BIDDERS' APPARENTLY FAVORABLE  
CURRENT POSITION RE GOI SUGAR MILL TENDER, WHICH EMBASSY  
HAS ACTIVELY PROMOTED AS MAJOR CCP CAMPAIGN FOR PAST  
YEAR. EMBASSY REQUESTS ADDITIONAL CLARIFICATION RE  
CONGRESSIONAL INQUIRY (STATE 2592). END SUMMARY.

1. EMBASSY SOMEWHAT PUZZLED BY TEXT STATE 2592. ASSUME  
ASST. SECY. MCCLOSKEY HAS BEEN INFORMED THAT EMBASSY  
AND AMCONSUL SURABAYA WERE ROGINARIMOTIVATING FORCE  
BEHIND BOTH U.S. FIRMS' INVOLVEMENT IN INDONESIAN SUGAR  
MILL TENDER (REFTELS PLUS MANY OTHERS). AS STATE AND  
USDOC AWARE, US MISSION, INCLUDING AMCONSUL SURABAYA,  
REQUESTED, AND WITH USDOC AND STATE SUPPORT ARRANGED AND  
MANAGED ORIGINAL U.S. CONSORTIUM BID PRESENTATION VISIT  
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TO JAKARTA AS WELL AS FOLLOW-UP U.S. SUGAR EQUIPMENT SHOW

IN SURABAYA. DURING SUBSEQUENT NINE MONTHS WE HAVE CONTINUALLY CONSULTED, ADVISED, AND ASSISTED FULTON AS WELL AS ARKEL, WHO ORIGINALLY DEMURED OR DECLINED PARTICIPATE IN USG ORGANIZED CONSORTIUM BUT LATER DECIDED STRONGLY ENTER COMPETITION. ARKEL HAS SENT AT LEAST FOUR TOP MANAGEMENT REPRESENTATIVES TO JAKARTA ON PERHAPS SIX SEPARATE OCCASIONS, WHO MET FREQUENTLY WITH EMBASSY AND RECEIVED OUR ASSISTANCE ON EVERY REQUEST THEY HAVE PUT TO US.

2. MEANWHILE, IN LAST FEW DAYS, LOCAL AMERICAN BANKING REPS HAVE INDICATED TO EMBASSY THAT SOME PRELIMINARY DECISION ON SUGAR TENDER IS EXPECTED JANUARY 15 AND THAT BRITISH AND DUTCH COMPETITORS WERE BEING ELIMINATED FROM COMPETITION.

THUS SEVERAL KNOWLEDGEABLE LOCAL SOURCES BEGINNING BELIEVE THAT TWO U.S. COMPETITORS MIGHT BE AWARDED FIVE OR PERHAPS ALL SIX GOI SUGAR PROJECTS.

3. DESPITE ABOVE FAVORABLE RUMORS, ON RECEIPT STATE 2592 A/DCM TELEPHONED PRINCIPAL BAPPENAS OFFICIAL RESPONSIBLE FOR ULTIMATE PROJECTS AWARDS. BAPPENAS OFFICIAL STATED HE NOT RPT NOT HEARD, BUT WOULD INVESTIGATE, ABOVE PARA 2 RUMORS. HOWEVER, HE ALSO STATED SUGAR TENDER AWARD STILL IN EVALUATION STAGE AND HAS NOT RPT HAS NOT YET BEEN REVIEWED BY SUB-CABINET PLANNING REVIEW COMMITTEE (BAPPENAS, FINANCE MINISTRY, BANK INDONESIA, TECHNICAL AGENCY), NOR EVEN PLACED ON AGENDA FOR NEXT WEEKLY COMMITTEE MEETING.

4. SUBSEQUENT EMBOFF CONVERSATION WITH ARKEL'S LOCAL REPRESENTATIVE P.T. FACTOTUM SUGGESTED BAPPENAS OFFICIAL HAD EITHER BEEN LESS THAN ENTIRELY FORTHCOMING WITH A/DCM OR PERHAPS WAS SOMEWHAT OUT OF TOUCH ON SUGAR TENDER DUE HIS HEAVY RECENT WORKLOAD HELPING PREPARE PRESIDENT SOEHARTO'S BUDGET PRESENTATION. FACTOTUM CONFIRMED HEARING THAT UK AND DUTCH BIDS BEING BLOCKED BUT STATED THAT FRENCH MAY STILL GET ONE PLANT. FACTOTUM ALSO UNDERSTANDS THAT, IN NEXT DAY OR TWO, GOI WILL INVITE TOP FIVE BIDDERS (FULTON, ARKEL, A.W. SMITH, STORK, FLETCHER & FIVES) TO RENEGOTIATE BIDS. HE DEFINED LIMITED OFFICIAL USE

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"RENEGOTIATION" IN THIS CONTEXT AS COMPANY DISCUSSIONS WITH GOI SUB-CABINET REVIEW COMMITTEE INTENDED EXPLAIN QUALITATIVE AND TECHNICAL DIFFERENCES IN BIDS WHICH WOULD JUSTIFY PRICE DIFFERENTIALS. IN SHORT, TO WIN CONTRACT U.S. FIRMS WOULD NEED EITHER TECHNICALLY JUSTIFY \$6-8 MILLION DIFFERENTIAL WHICH FACTOTUM BELIEVES SEPARATES U.S. FROM UK/FRENCH BIDS OR ALTERNATIVELY LOWER U.S. BIDS SOMEWHAT TOWARD COMPETITORS' BIDS. FACTOTUM BELIEVES THIS

"RENEGOTIATION" PROCESS IS LARGELY FACE-SAVING DEVICE  
DESIGNED ALLOW GOI OFFICIALS (WHO INDIVIDUALLY SEEM PREFER  
U.S. PROPOSALS), COLLECTIVELY SPREAD RESPONSIBILITY PRIOR  
TO MAKING DECISION TO SELECT HIGHER PRICED U.S. BIDS.  
EMBASSY AWARE SUCH SPREADING OF RESPONSIBILITY COMMON  
INDONESIAN PRACTICE IN CASES WHERE BEST OVERALL BID NOT RPT  
NOT LOWEST PRICED BID.

5. FACTOTUM ALSO STATED SEVERAL ARKEL TOP MANAGEMENT  
PERSONNEL PLAN ARRIVE JAKARTA IN NEXT 4-5 DAYS FOR GOI  
REVIEW COMMITTEE PRESENTATION.

6. EMBASSY CONFIDENT THAT GOI OFFICIALS AT ALL LEVELS  
WELL AWARE OF EMBASSY'S DEEP INTEREST AND YEAR LONG  
PROMOTIONAL DRIVE TO WIN SUGAR TENDERS. IN VIEW RUMORED  
FAVORABLE POSITION OF U.S. BIDDERS AND ABSENCE ANY  
SPECIFICS ABOUT POSSIBLE INEQUITABLE TREATMENT OF U.S.  
FIRMS, EMBASSY THUS HESITANT FURTHER INTERVENE IN WHAT  
APPEARS OBJECTIVE REVIEW OF COMPETITIVE INTERNATIONAL  
BIDS. WOULD APPRECIATE DEPARTMENT CONVEYING ABOVE  
INFORMATION TO SENATORS LONG AND JOHNSTON AND ASK WHETHER  
THEY AWARE ANY SPECIFIC PROBLEMS WARRANTING ADDITIONAL EMBASSY  
ACTION SUGGESTED BY LAST LINE STATE 2592 QTE IN ORDER  
THAT THIS OPPORTUNITY WILL NOT BE LOST. UNQTE.  
RIVES

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